



SEATTLE EMPLOYEES' RETIREMENT SYSTEM NEWSLETTER

FOR ACTIVE AND RETIRED MEMBERS WINTER 95



FROM THE DIRECTOR

This newsletter is one of a series which is designed to address the long recognized need to establish a communications program for the 8,300 active and 4,600 retired members of the Seattle City Employees' Retirement System. Please let me know what kind of information you would like to see in this publication. Also I would appreciate your comments, pro and con, relative to the service you have received from the Retirement System staff. I sincerely hope to hear from you. You may write to me at:

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1995 Cost-of-Living Proposal

In conjunction with the 1995/1996 budget process the Seattle City Council took two actions with regard to the COLA issue. The first action was to request that the Retirement Board develop several options for providing a COLA for current employees once they retire. The report on those options shall be presented to the Mayor and Council by July 1995. The Mayor and Council will then consider the COLA options through the Labor Relations Policy Committee.

The second action taken by the City Council was to carry over \$175,613 from 1994 to 1995 to be used to fund a one time COLA. The Retirement System will match this amount to provide a total of \$351,226. These funds will be used in 1995 to restore the purchasing power of retirees pensions to approximately 38% of their original value. Those retirees whose pensions now purchase less than 38% of what they did at the time of retirement will receive a one time payment in July 1995 to bring them to the 38% floor. This will not effect the 13th check paid retirees each December.

Retirement Fund Investment Policy

The Retirement Board regularly conducts asset allocation studies to provide for diversification of the \$800,000,000 portfolio which will yield the highest investment return at a low level of risk. We then retain investment managers to invest the funds in accordance with the asset allocation study. Our current asset allocation is 37% domestic fixed income, 30% domestic equities, 16% international equities, 10% international fixed income, 4% real estate, 2% cash, and 1% venture capital. We have no leveraged derivatives similar to the ones which caused the large losses experienced by Orange County, California.

Retirement Credit for National Service

The issue of whether retirement credit should be granted for periods of time spent in the armed forces of the United States, the Peace Corp., or VISTA, is still under review by the Retirement Board. The Chair of the subcommittee studying this issue is Retirement Board member Peter Tenerelli.

Retirement Membership for Terminally Ill Members

It is now possible for members of the Retirement System who have a terminal illness to withdraw from membership and have their contributions refunded if they so elect, and if certain conditions are met. Contact the Retirement Office if additional information on this subject is desired.

Mandatory Retirement System Membership

The question is often asked as to why membership in the Retirement System is mandatory for most City employees. There are two reasons why mandatory membership was enacted. The first reason is that if membership was optional many employees for a variety of reasons would not elect membership; however later in their career would regret this choice and would petition for similar benefits as those who did elect membership. The second reason for mandatory membership is since the City is contributing 8.91% of covered payroll to the Retirement System, if a greater number of lower paid employees, rather than higher paid employees, did not elect membership, the Internal Revenue Service could rule the Retirement System as discriminatory, and disqualify the plan.

Retirement Credit for Medical Leave

If you are on unpaid status and are on Family Medical Leave, or other leave of absence for medical reasons, you may make missed retirement contributions and gain retirement service credit for this time. If you have been on unpaid medical leave of absence call the Retirement Office for further details.

Pre-Retirement Seminar

The Personnel Department in collaboration with the Retirement System regularly conducts pre-retirement seminars held one night each week for seven weeks. The topics covered are attitude and role adjustment, Social Security benefits, medical benefits and long term care, financial/tax planning, legal affairs and estate planning, City retirement and deferred compensation plans, and using your time for leisure and work. To obtain further information on the pre-retirement seminars, or to sign up for a future seminar, call the City Personnel Training Unit at 684-7994.

Statement of Account

In the near future we will be mailing the 1994 "statement of account" to all active members. The statement shows the retirement contributions and interest credited to each members account in 1994 along with the beginning and ending account balances. Interest is credited to your account at 5.75%, however, interest credited will not affect your retirement benefit as it is based on a predetermined formula. Do not report the interest credited to your account on your income tax return unless you leave City service.

One new feature on the 1994 statement of account is that your named beneficiary is now shown. If the beneficiary shown is not correct, obtain a "change of beneficiary" form from your department personnel office and send it to the Retirement Office (12-03-01). If your personnel department does not have the "change of beneficiary" form call the Retirement Office and leave a message on our voice mail and we will send you one.

Estate Planning

Estate planning is a conscientious effort to order your affairs in advance of your death. Estate planning ensures that your estate can be managed economically and efficiently so that assets go to the designated recipients rather than to the government, attorneys, creditors, or non-intended parties. This is accomplished through the use of a variety of legal instruments, such as use of a will, trusts and letters (power) of attorney.

Basic Estate Planning Concepts Include:

Probate: The technical, legal term for distribution of a deceased person's estate under the supervision of the court. While probate procedures in some states can be burdensome, in Washington State the procedure is relatively simple and in most cases, requires very little court intervention.

Will: Document that expresses a person's wishes for the disposition of his or her property.

Trust: An agreement under which assets are held and managed by one person for the benefit of another. Generally, a person transfers the trust property to another person with written instructions concerning the management of the trust property, for the benefit of a third person. Trusts are established to: avoid the tax consequences of transferring property, to ensure that a minor is not given control of a large sum of money until he or she is able to manage it, or to ensure that money is spent in the manner stipulated by the grantee.

Community Property: Property acquired by husband and wife together, or by either one individually, during marriage. Unless property is clearly identifiable as separate property, Washington courts will presume property acquired during a marriage is community property. Identification of property as community property limits a person's disposition of property, since the spouse has an interest in it. Washington is a Community Property state.

Separate Property: Property acquired by a person before marriage or by gift or inheritance while married, if it is given to that person alone. Separate property continues to be so as long as it can clearly be traced and identified, and its rents, earnings, and profits remain separate property. Identification of property as "separate property," in states that are "community property states," allows a person to dispose of that property by will, without any interest being held by that person's spouse.

Power of Attorney: A document authorizing another to act as your agent.

- **Durable Power of Attorney:** Authorizes another to act as your guardian if you become incapacitated for any reason. This may avoid legal procedures to appoint a guardian after you become incapacitated.
- **Limited Power of Attorney:** Power of attorney is set by clearly defined bounds and restrictions.

Health Care Directives: A document that directs family and physicians in the event that you have a terminal illness as diagnosed by two physicians, and are incapable of giving any direction. May ask family and physician not to use any extraordinary means to prolong life.